

**HOUMA-TERREBONNE PUBLIC TRUST
FINANCING AUTHORITY**

HOUMA, LOUISIANA

Comprehensive Annual Financial Report

Year Ended March 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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**HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
HOUMA, LOUISIANA**

Comprehensive Annual Financial Report

Year Ended March 31, 2006

HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
Houma, Louisiana

Comprehensive Annual Financial Report

March 31, 2006

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HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2006

Management's Discussion and Analysis (MD&A) of the Houma-Terrebonne Public Trust Financing Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended March 31, 2006. The MD&A is designed to provide an objective and easy to read analysis of the Authority's financial activities based on currently known facts, decisions, or conditions. Please read this in conjunction with our financial statements, which begin on page 6.

Financial Highlights

- The Authority's assets consist of cash realized mainly from the defeasement of the Series 1992 Bond Issue in 2003. The Authority had little income or expense during the year ended March 31, 2006. The remaining net assets are unrestricted and available for use by the Authority until December 29, 2009, which at that time, the Trust Authority would cease to exist and any funds remaining would be transferred into the general fund of the Terrebonne Parish Consolidated Government.
- Total assets increased from prior year by approximately \$20,820.
- The assets of the Authority exceeded total liabilities in the current year by \$1,018,121 (net assets). The entire amount of net assets is unrestricted.
- Total revenues increased from prior year by \$20,993. The increase is attributed to an increase in interest earned on the Authority's deposits.
- Total expenses increased by \$3,434. The slight increase is due to professional fees incurred in the current year.

Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets

The statements of fiduciary net assets and changes in fiduciary net assets include assets, liabilities, revenues and expenses using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Reading these two statements in conjunction with each other helps the user understand the composition of the Authority's net assets and the driving forces that initiate the changes in the net assets.

The statement of fiduciary net assets presents information on all of the Authority's assets less liabilities which result in net assets. This statement is designed to display the financial position of the Authority. The Authority's net assets can be used to measure the Authority's financial health. Over time, increases or decreases in the Authority's net assets are indicators of either improvements or deterioration in financial health.

The statement of changes in fiduciary net assets provides information which shows how the Authority's net assets changed as a result of the current year's activities. This allows users

of the financial statements to determine the major factors that affected the current financial statements and may have a significant impact on financial statements in the future.

Comparative Statements of Fiduciary Net Assets

	March 31		Increase
	2006	2005	(Decrease)
Assets:			
Cash	\$ 1,022,275	\$ 1,001,455	\$ 20,820
Total Assets	\$ 1,022,275	\$ 1,001,455	\$ 20,820
Liabilities:			
Payables	\$ 4,154	\$ 1,802	\$ 2,352
Total Liabilities	4,154	1,802	2,352
Net Assets			
Unrestricted net assets	1,018,121	999,653	18,468
Total Net Assets	1,018,121	999,653	18,468
Total Liabilities and Net Assets	\$ 1,022,275	\$ 1,001,455	\$ 20,820

As detailed in the above comparative statement of fiduciary net assets, total assets at the close of year 2006 increased by about two percent when compared to the prior year. Increase in assets is due primarily to increase in cash through interest earned for the year ended March 31, 2006

At March 31, 2006, net assets totaled \$1,018,121 and are composed of the net assets of the Program Subaccount and are available for any valid purpose under the terms of the Trust Indenture. The entire amount of total net assets of the Authority is unrestricted. Change in net assets during the year was minimal.

Comparative Changes in Fiduciary Net Assets

Total revenues, comprised of interest income on deposits, increased by \$20,993 for the year ended March 31, 2006. This increase is directly related to an increase in money market interest rates.

Total expenses increased \$3,434. This increase is attributed to the increase in professional fees incurred during the year ended March 31, 2006.

Contacting the Authority's Financial Management

This financial report is designed to provide taxpayers, customers and creditors with a general overview of the Authority's finances and to display the Authority's accountability for the funds it received. If you have questions about this report or need additional financial information, contact the Houma-Terrebonne Public Trust Financing Authority at 1054 West Tunnel Boulevard, Houma, LA. 70360.

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A PROFESSIONAL CORPORATION

THOMAS J. LANAUX, CPA
MARK S. FELGER, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Houma-Terrebonne Public Trust Financing Authority
Houma, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Houma-Terrebonne Public Trust Financing Authority, a component unit of the Terrebonne Parish Consolidated Government, as of and for the years ended March 31, 2006 and 2005, as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Houma-Terrebonne Public Trust Financing Authority as of March 31, 2006 and 2005 and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2006 on our consideration of the Houma-Terrebonne Public Trust Financing Authority's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Management's discussion and analysis on pages 1 through 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

September 15, 2006

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HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
HOUMA, LOUISIANA

Statements of Fiduciary Net Assets
Fiduciary Fund - Private-purpose Trust

March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets:		
Cash	<u>\$ 1,022,275</u>	<u>\$ 1,001,455</u>
Total assets	<u>1,022,275</u>	<u>1,001,455</u>
Liabilities:		
Accounts payable	<u>4,154</u>	<u>1,802</u>
Total liabilities	<u>4,154</u>	<u>1,802</u>
Unrestricted net assets:	<u>\$ 1,018,121</u>	<u>\$ 999,653</u>

HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
HOUMA, LOUISIANA

Statements of Changes in Fiduciary Net Assets
Fiduciary Fund - Private-purpose Trust

Years Ended March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Additions:		
Interest income	<u>\$ 33,708</u>	<u>\$ 12,715</u>
Total Additions	33,708	12,715
Deductions:		
Professional services	<u>15,240</u>	<u>11,806</u>
Total deductions	<u>15,240</u>	<u>11,806</u>
Change in net assets	18,468	909
Net assets at beginning of the year	<u>999,653</u>	<u>998,744</u>
Net assets at end of the year	<u>\$ 1,018,121</u>	<u>\$ 999,653</u>

HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
HOUMA, LOUISIANA

Notes to Financial Statements

1) Reporting Entity

The Houma-Terrebonne Public Trust Financing Authority (Authority) is a public trust created by a Trust Indenture dated December 26, 1978, pursuant to Chapter 2A of Title 9 of the Louisiana Revised Statutes, as amended. The Authority was created to provide funds, through the issuance of bonds, to promote the development of residential housing in the Houma-Terrebonne area through low interest first mortgage loans and other purposes as specified by the Trust Indenture. The beneficiary of the trust is the Terrebonne Parish Consolidated Government on behalf of the Urban Services District.

The Authority has a five member appointed Board of Trustees, each member having a five-year term, and having the power to designate management, the ability to significantly influence operations and collectively having primary accountability for fiscal matters. This report includes all funds of the Authority.

Evidence of indebtedness are solely the obligations of the Authority and are not obligations of the Urban Services District, Terrebonne Parish Consolidated Government or the State of Louisiana.

The Authority is classified as a component unit of the Terrebonne Parish Consolidated Government (Parish) which is the beneficiary of the Trust on behalf of the Urban Services District.

2) Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

- a) Basis of presentation. The accompanying basic financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, published by GASB. The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
HOUMA, LOUISIANA**

Notes to Financial Statements, Continued

- b) **Fund Type.** The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, additions and deductions. The fund type presented in the financial statements is described as follows:

Fiduciary Fund – Private-purpose Trust: This fund is used to account for bond proceeds that were used to finance residential housing through low interest first mortgage loans and for other purposes as specified by the Trust indenture.

- c) **Basis of accounting.** The Authority follows the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.
- d) **Budgetary data.** The Authority is not required by the Louisiana Revised Statutes 39:1303 to adopt a budget for the Authority's fiduciary fund.
- e) **Interest income.** Interest income on deposits is recorded as revenue in the year the interest is earned.
- f) **Use of estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3) **Deposits**

The Authority has deposits at year end as follows:

	<u>March 31, 2006</u>		<u>FDIC Coverage</u>	<u>Pledged Securities</u>
	<u>Book Balance</u>	<u>Bank Balance</u>		
Cash	<u>\$ 1,022,275</u>	<u>\$ 1,022,275</u>	<u>\$ 100,000</u>	<u>\$ 987,190</u>
	<u>March 31, 2005</u>			
	<u>Book Balance</u>	<u>Bank Balance</u>		
Cash	<u>\$ 1,001,455</u>	<u>\$ 1,001,455</u>	<u>\$ 100,000</u>	<u>\$ 988,440</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance

**HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
HOUMA, LOUISIANA**

Notes to Financial Statements, Continued

or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must, at all times, equal the amount on deposit with the fiscal agent bank.

The deposits (bank balances) are secured from risk by \$100,000 of federal deposit insurance as of March 31, 2006 and 2005, respectively, and \$987,190 and \$988,440 of pledged securities held by the custodial bank in the name of the fiscal agent bank as of March 31, 2006 and 2005, respectively (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39, 1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon demand.

4) Extinguishment Through In-Substance Defeasance of Debt

a. 1979 Series A, Single Family Mortgage Revenue Bonds.

On June 16, 1992, the Authority defeased the 1979 Series A, Single Family Mortgage Revenue bonds by depositing approximately \$8,997,000 from the issuance of the Series 1992 refunding bonds along with approximately \$4,597,000 held in the 1979 Series A bond program accounts in an irrevocable trust account with an escrow agent to be invested in governmental obligations maturing at such times to provide for all future debt service payments on the 1979 Series A bonds. Accordingly, the 1979 Series A bonds are considered to be defeased and do not appear as a liability in the financial statements. At March 31, 2006, defeased 1979 Series A bonds of \$11,860,000 remain outstanding.

b. 1980 Series A, Single Family Mortgage Revenue Bonds.

On May 12, 1988, the Authority defeased the 1980 Series A, Single Family Mortgage Revenue bonds by selling all of the program's assets and depositing the proceeds of \$7,242,272 in an irrevocable trust account to be invested in governmental obligations maturing at such times so that sufficient moneys will be available to pay bond principal of \$6,365,000 and interest as it becomes due. Accordingly, the 1980 Series A bonds are considered to be extinguished and do not appear as a liability in the accompanying balance sheet. As of March 31, 2006, defeased 1980 Series A bonds of \$3,785,000 remain outstanding.

c. 1992 Series B, Class B-1, B-2 and Series 1992C.

On May 21, 2003, the Authority realized a \$960,571 gain by liquidating its Taxable Refunding Bonds Series 1992. This was accomplished by selling all of the program's assets and depositing the proceeds of \$2,058,791 in an irrevocable trust account to be utilized in the following ways: \$138,037 of the proceeds will be used to call the Series

**HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
HOUMA, LOUISIANA**

Notes to Financial Statements, Continued

1992 B-1 bonds on June 13, 2003; \$131,000 of the proceeds will be invested in governmental obligations maturing at such times so that sufficient moneys will be available to pay bond principal of \$200,000 on July 10, 2014 for the Series 1992 B-2 bonds; and the remaining balance of \$1,789,755 will be used to defease the Series 1992 C bonds on June 23, 2003. A residual value of \$960,571 was deposited for use by the Authority for various Authority purposes.

5) Unreserved and Undesignated Net Assets

Monies in the Program Subaccount are not pledged as security for the bonds and are not subject to the lien of the bond indentures. These funds are available for any valid purpose under the terms of the Trust Indenture.

6) Compensation of Board Members

The Trustees serve without compensation, but may be reimbursed for actual expenses incurred in the performance of their duties as Trustees. The Trustees did not receive any per diem, compensation, or reimbursement for actual expenses for the years ended March 31, 2006 and 2005.

7) Subsequent Event

The Authority applied to the State Bond Commission in June 2006 for approval to issuance up to \$50,000,000 of Single Family Mortgage Revenue Bonds. Also, the Authority has petitioned Terrebonne Parish Consolidated Government to apply for and request an allocation of \$20,000,000 in Community Development Block Grant monies to be used to originate loans or to purchase GNMA, Freddie Mac and/or Fannie Mae Securities backed by mortgage loans. The combined funds would be used to provide low interest single family mortgage loans to citizens of Terrebonne Parish as defined under the program.

SUPPLEMENTARY FINANCIAL REPORTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Houma-Terrebonne Public Trust Financing Authority
Houma, Louisiana

We have audited the basic financial statements of the Houma-Terrebonne Public Trust Financing Authority (the Authority), a component unit of the Terrebonne Parish Consolidated Government, State of Louisiana, for the year ended March 31, 2006, and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Authority for the year ended March 31, 2006, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions

of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Authority's Board of Trustees and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

September 15, 2006

Lanoux & Felger

HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended March 31, 2006

We have audited the financial statements of the Houma-Terrebonne Public Trust Financing Authority as of and for the year ended March 31, 2006, and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of March 31, 2006 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. **Report on Internal Control and Compliance Material to the Financial Statements**

Internal Control

Material Weakness

☐ Yes ☒ No

Reportable Conditions

☐ Yes ☒ No

Noncompliance

Noncompliance Material to Financial Statements

☐ Yes ☒ No

b. **Federal Awards - Not applicable, there were none.**

c. **Identification of Major Programs - Not applicable, there were none**

Section II Financial Statement Findings

There were none.

Section III Federal Award Findings and Questioned Costs

Not Applicable.

**HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the Year Ended March 31, 2006**

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL
STATEMENTS**

There were none for the year ended March 31, 2005.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

Not applicable.

SECTION III MANAGEMENT LETTER

There was no management letter issued for the March 31, 2005 audit.

**HOUMA-TERREBONNE PUBLIC TRUST FINANCING AUTHORITY
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended March 31, 2006**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

No findings were reported which require a response from management for the year ended March 31, 2006.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable.

SECTION III MANAGEMENT LETTER

No management letter was issued for the year ended March 31, 2006.